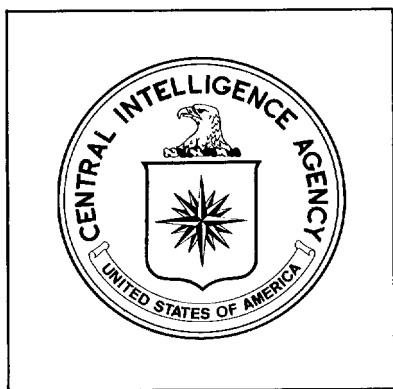


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123

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WESTERN EUROPE — CANADA — INTERNATIONAL ORGANIZATIONS

This publication is prepared for regional specialists in the Washington community by the Western Europe Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

CONTENTS

Palme Endorses New World Order During Trip to Latin America	1
Portuguese Launch Rural Expropriation	3
A Major Setback for Italian Christian Democratic Leader Fanfani	4
EC Commission Proposes Common Approach Toward Developing States	6

July 7, 1975

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~~CONFIDENTIAL~~

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Palme Endorses New World Order During Trip
to Latin America

Swedish Prime Minister Palme used his recently concluded trip to Latin America as a forum for strong statements in support of third world positions on international issues. Palme also concluded agreements in Mexico and Cuba for increased technical and cultural exchanges.

Speaking at a dinner given in his honor by Mexican President Echeverria, Palme said: "the existing order which favors the powerful nations, powerful not only militarily but also economically and technologically, should be replaced with a new world order." Palme repeated the theme in Venezuela and Cuba.

Palme and Echeverria also discussed several joint investment projects and the possibility of exchanging Mexican oil for Swedish technology. The two leaders also signed an agreement designed to increase trade, tourism, and technological co-operation.

Palme found common ground on his third world theme with Venezuelan President Perez. The two leaders agreed that the current world economic system is socially and economically unjust and called for a new world economic order. The two leaders discussed cooperation in the fields of iron, steel, metallurgy, shipbuilding, and ecology, but did not sign any specific bilateral agreements.

Palme's trip to Cuba was the first visit by a Swedish head of government. Palme praised the Cuban revolution and its achievements and was received

July 7, 1975

~~CONFIDENTIAL~~

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enthusiastically by Cuban Premier Castro. The Swedish opposition press has been critical of Palme's praise for Cuba, claiming that his recent denunciation of "the creatures of dictatorship" in Czechoslovakia was inconsistent.

Palme has spoken out often in recent months on the problems of the third world. He has apparently chosen this theme as a substitute for past criticism of US policy in Vietnam. He had particular success with the theme in Mexico where Echeverria has recently been promoting the same issues. (Confidential)

July 7, 1975

~~CONFIDENTIAL~~

25X1A

Portuguese Launch Rural Expropriation

The Portuguese government launched an agrarian program over the weekend. Decree laws approved after a long cabinet session on Friday call for the expropriation of:

- Rural properties larger than 282 acres.
- Land that is producing below levels to be set by the ministry of agriculture.
- Areas to be used for irrigation.
- Land that belongs to people who have fled the country.

One decree law sets up associations of agricultural workers that are presumably to play a role in implementing the new agrarian measures.

The first domestic reaction to the new decree came from the Communist-dominated labor confederation which urged workers to stand ready to take over the program if it proceeds too slowly. Lisbon will be unable to implement the program quickly without adding to the country's growing economic difficulties. (Confidential)

July 7, 1975

CONFIDENTIAL

25X1A

A Major Setback for Italian Christian Democratic
Leader Fanfani

Christian Democratic leader Fanfani suffered a major setback last week in the meeting of the party directorate--the Christian Democrats' 44-member executive body--when center and leftist factions joined in calling for an early reassessment of the party's leadership and strategy.

The Christian Democratic left--about a fifth of the party--has been calling for Fanfani's resignation and an immediate reassessment of party policies since the Communist Party scored unprecedented gains in regional and local elections three weeks ago. To back up their demand, the left-wingers had resigned from the directorate and threatened to bring down the Moro government by giving up their cabinet posts.

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they were also prepared to split off from the party, form their own parliamentary group, and run separately in the next national elections if their demands were not met.

Fanfani tried to postpone a leadership and policy review until the party's national congress, which he wanted to convene in the fall. During the directorate meeting, however, the party's two major centrist factions--representing close to 50 percent of the party and dominated by such figures as Foreign Minister Rumor, Budget Minister Andreotti, and Treasury Minister Colombo--joined the left in opposing Fanfani's delaying tactics. Instead, they decided to begin the policy debate on July 19 at a meeting of the Christian Democratic national council, the party's principal

July 7, 1975

CONFIDENTIAL

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deliberative body. The centrist spokesman also insisted that the left-wing factions be allowed to participate, despite their resignations from the party executive. Any attempt to cut out the left, they emphasized, would hinder the party's ability to reinforce its ties with youth and organized labor.

The directorate also agreed to leave the Moro government in place for the time being. The party's left-wing ministers are not likely to follow through on their threat to drop out of his cabinet now that they have achieved their goal of an early review of Christian Democratic policies.

The defection of the Christian Democratic center factions means that Fanfani has lost his majority in the party. It is now probably only a matter of time before he resigns or is eased out of the top post. His fate may be determined in two weeks at the national council meeting, but, in any event, he is not likely to outlast the Christian Democratic congress that will probably be held in the fall. (Confidential)

July 7, 1975

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25X1A

EC Commission Proposes Common Approach Toward
Developing States

EC Commission Vice President Soames outlined in a major address last week a "Five Point Program" to establish an improved consensus between developed and developing nations.

The recommendations--representing the Commission's position and not only Soames'--call for:

- A continuing dialogue between oil producers and consumers, leading to an understanding on fair prices and stable supplies.
- Agreement on the stabilization of export earnings of the poorest countries and on the wider and more effective use of commodity agreements.
- Promotion of industrialization in developing countries.
- Further trade liberalization, with special attention to the needs and interests of developing countries.
- Increased food aid.

There is nothing particularly new on specific issues; Soames' chef de cabinet told the US Mission in Brussels, however, that Soames hopes that Washington will carefully review the speech. The Commission has attempted to present a synthesis of the ideas presented in Secretary Kissinger's Kansas City speech and during the OECD and International Energy Agency ministerials. Moreover, the proposals aim

July 7, 1975

Approved For Release 2002/01/10 : CIA-RDP79T00865A001300150001-2

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especially at carrying out a "harmonized" approach, as discussed in the context of recent EC-US consultations, toward the developing countries. This involves having the industrialized states adopt generally similar and consistent attitudes on the entire gamut of economic issues--oil, raw materials, industrialization and trade and aid--while avoiding the appearance of presenting a common front against the developing nations.

One of the highlights of Soames' address was his call for a more reasonable attitude on the part of developing states, which must "above all understand that solutions cannot be imposed on the basis of bloc voting in the UN or by seeking to arrange a system in which all the rights belong to one group of countries and all the obligations to another." In this connection, Soames also criticized demands for a "new economic order" and warned the developing countries against putting excessive emphasis on the redistribution of the world's wealth as opposed to the creation of new resources. (LOU)

July 7, 1975

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